

Mr. Chairman, I am here today to acknowledge the merits of extending some of the tax provisions this body has addressed in the past that benefit both individuals and businesses.

Businesses of all sizes in Tennessee tell me how worried they are that one more tax increase or mandate from Washington might sink them; and individuals are at risk of seeing their tax bills go up at the end of this year.

1. Mortgage Interest Deduction
2. State Sales Tax Deduction – Brady HR 476
3. Charitable Tax Deduction – Tiberi HR 860
4. R&D Tax Credit – Brady HR 1265
5. 15-year depreciation – Gerlach HR 1265

1. Home Mortgage Interest Deduction

Home owners who itemize their taxes can deduct 100 percent of their mortgage interest payments on their home for up to \$1 million of mortgage debt and \$100,000 of home equity loans.

For most home owners, this means they can deduct ALL of their mortgage interest on their home. This particularly makes the cost of owning a home much more affordable for first-time home buyers and those who have been in their home for just a few years, since the bulk of their monthly house payments go toward interest, which is fully deductible.

Housing and homeownership are critical to a strong and prosperous nation. Ever since the federal income tax was introduced in 1913, the government has used the tax code to encourage homeownership.

New home construction spurs productivity, creates jobs for millions of Americans, and generates revenues for all levels of government.

Reducing, eliminating or otherwise changing the value of the mortgage interest deduction could cause the value of housing to drop even more — perhaps by as much as 15% in some markets. This decline would be in addition to the 30% decline that some markets have experienced.

A poll taken in January 2012 showed that Americans still overwhelmingly consider homeownership a core value and would oppose efforts to weaken or eliminate

the mortgage interest deduction or diminish a federal role to help qualified home buyers obtain affordable 30-year mortgages. (NAHB/NAR)

As Congress, and the Ways and Means Committee studies the various deductions under the robust tax reform process, I will be certain to ensure any changes to the tax rules that apply to home ownership will not disrupt the market and cause home values to further decline.

2. State Sales Tax Deduction

I agree with the Governor of my state that the state and local sales tax deduction is especially important to Tennesseans, as it is to the six other states including Texas, Florida, Washington, Wyoming, South Dakota, and Nevada that are without an income tax. That is why I am a cosponsor of H.R. 476 to include the extension of the state and local sales tax deduction for when Congress considers a larger tax extension package early next year.

This is an issue of fairness. Since 2004 when the deduction was restored Congress has agreed that taxpayers in sales tax states should be treated equally in the tax code as taxpayers in states that rely upon an income tax. Sales taxes add up for families. We're trying to protect them from a significant tax increase and help them stretch their pocket books a little further.

Taxpayers in the seven states who itemize their deductions have come to depend on the provision. This deduction puts extra money in Tennesseans' pockets which helps any family's budget.

3. Charitable Tax Deduction – Larson HR 860

Unlike other tax incentives, the charitable deduction encourages behavior that enriches communities rather than individual taxpayers because it successfully encourages taxpayers to give more.

According to the recent CBO report on the tax treatment of charitable giving, tax filers who reported AGI of at least \$100,000 in 2008 were responsible for well over half (about 58 percent) of all charitable giving by taxpayers.

Americans strongly support the charitable deduction. In an April 2011 Gallup poll, 71 percent opposed eliminating the charitable deduction to lower the overall income tax rate, and 68 percent opposed eliminating the charitable deduction to

reduce the federal budget deficit. More Americans supported the charitable deduction than the home mortgage interest deduction or state and local tax deduction.

As charities struggle to meet increased demands for their services and raise additional funds, we need to encourage all individuals, regardless of income and wealth, to give more to charitable organizations. Reducing the value of the charitable deduction does the exact opposite and would fundamentally change a tax structure that has contributed to a cherished tradition of charitable giving that is unmatched in the world.

4. R&D Credit - Brady HR 942

Congress has extended the Research and Development tax credit 14 times since it was originally enacted in 1981. The R&D credit has provided an important incentive to spur private sector investment in innovative research by companies of all sizes and in a variety of industries.

The enactment of this incentive helped establish the U.S. as a leader in innovative research. In fact, during the 1980s, the U.S. was the leader among OECD countries in providing the best R&D incentives for companies. However, many of our foreign competitors have since instituted more generous R&D incentives in the decades following, causing the U.S. to drop below the top 10, and today ranks 24th in research incentives among industrialized countries. The temporary nature of U.S. R&D incentives is a strain on U.S. companies. Providing the certainty of a permanent credit, especially in a tax reform environment, is critical to maintaining U.S. leadership in innovative research and ensuring that U.S. companies will continue to do their R&D here in the U.S.

This legislation would provide important certainty for U.S.-based research spending by making the R&D tax credit permanent as well as simplifying and strengthening it, thereby increasing its effectiveness. That is why I am a cosponsor of H.R.942, the American Research and Competitiveness Act of 2011 introduced by Mr. Brady of Texas.

5. 15-year depreciation – Gerlach HR 1265

Generally, the depreciation period for commercial buildings and improvements is 39 years. Congress has modified the depreciation schedules for certain types of property over time. In addition to better reflecting the unique characteristics of property used in certain types of commerce, shortening the depreciation schedule stimulates economic and job growth.

Under current law, businesses do not have the certainty they need to undertake capital expenditures. Such capital expenditures fuel economic activity and create jobs. Our nation's businesses are looking forward, planning capital expenditures to improve and expand their businesses. The ability to plan for these expenditures and know what the tax treatment will be in subsequent years is important to those who are making those decisions right now.

This provision is an important driver of economic stimulus, fueling economic activity and creating jobs. According to the Bureau of Economic Analysis, every dollar spent in the construction industry generates an additional \$2.39 in spending in the rest of the economy and every \$1 million spent in the construction industry creates more than 28 jobs in the overall economy. History has shown that a 15-year depreciation schedule for leasehold improvements, restaurant improvements and new construction, and retail improvements has spurred a tremendous amount of economic activity.

CLOSING

While our committee moves forward on reforming the code, we must all be on the lookout in this debate. When I was a state representative, some people who wanted to raise taxes and raise government revenue – painted and powdered the idea as “tax reform.” Back in the state, I fought against the Tennessee state income tax because I believe the people of my great home state know better how to use their money than the government. I believe that still today. As a member of the tax writing committee in the U.S. Congress, I will continue to fight for fairness in the code for Tennesseans and a more hospitable environment to create jobs.

Thank you Mr. Chairman and to my colleagues on the dias for holding this hearing

And I yield back my time.